

# **CORRECTED FISCAL NOTE**

## **SB 1116 - HB 1809**

March 14, 2007

**SUMMARY OF BILL:** Changes the allocation of a portion of the hotel/motel tax in Davidson County. Authorizes Davidson County to enact an ordinance imposing an additional 1% increase in the hotel/motel tax. Authorizes Davidson County, upon adoption of an ordinance(s) by the Metropolitan Council, to implement a \$2.00 tax on each contracted vehicle that leaves the metropolitan airport, a \$2.00 per room/per night occupancy tax on each hotel room within the county, and a 1% tax on the rental of passenger motor vehicles, trucks, or trailers that are rented for a period of 31 days or less.

### **ESTIMATED FISCAL IMPACT:**

On March 6, 2007 we issued a fiscal note on this bill which indicated a *permissive not significant increase in local government expenditures, a permissive increase in local government revenues exceeding \$12,000,000, and Other Fiscal Impact – There will be a shift in the way current revenues are earmarked. Currently, 1% of the hotel/motel tax in Davidson County is credited to a dedicated fund earmarked for tourist-related uses. For FY04-05 total collections dedicated to the account were approximately \$4,000,000. Under the provisions of this bill, the \$4,000,000 would be earmarked as follows:*

- 1/3 for the promotion of tourism – approximately \$1,333,333*
- 1/2 for the construction of a convention center – approximately \$2,000,000*
- 1/6 to the general fund – approximately \$666,667*

The corrected fiscal impact is:

#### **(CORRECTED)**

**Increase Local Govt. Revenues – Exceeds**

**\$16,000,000/Permissive**

**Increase Local Govt. Expenditures – Not Significant/Permissive**

**Other Fiscal Impact – There will be a shift in the way current revenues are earmarked. Prior to the adoption by the Metropolitan**

**SB 1116 - HB 1809 (CORRECTED)**

**Council of the ordinance authorized by the bill, current revenues of \$20,000,000 will be allocated as follows:**

- 1/3 for the promotion of tourism – approximately \$6,667,000**
- 1/3 for the convention center replacement fund– approximately \$6,667,000**
- 1/3 to the general fund – approximately \$6,667,000**

**Following the adoption of a local ordinance authorizing an additional 1% increase in the hotel/motel tax, the bill provides two conflicting scenarios as to the apportionment of the total projected revenues of \$24,000,000. Under the scenario provided by the amended version of T.C.A. §7-4-110(b) in section one of the bill, all of the proceeds of the tax (including the additional 1%) authorized pursuant to Title 7 Chapter 4 (hotel/motel tax) will be apportioned as follows:**

- 1/3 for the promotion of tourism – approximately \$8,000,000**
- 1/2 for the construction of a convention center – approximately \$12,000,000**
- 1/6 to the general fund – approximately \$4,000,000**

**Under the scenario provided by the amended version of T.C.A. §7-4-102(b)(2) found in section three of the bill, following the adoption of the additional 1% tax, the entire additional 1% increase would be dedicated to the “Convention Center Fund” and the existing tax revenues would be apportioned to tourism, the convention center and the general fund. The entire apportionment under the provisions of this section would be:**

**The entire amount of the 1% tax increase would go to the “Convention Center Fund” – approximately \$4,000,000**

**The \$20,000,000 currently collected would be apportioned:**

- 1/3 for the promotion of tourism – approximately \$6,667,000**
- 1/2 for the construction of a convention center – approximately \$10,000,000**
- 1/6 to the general fund - \$3,333,333**

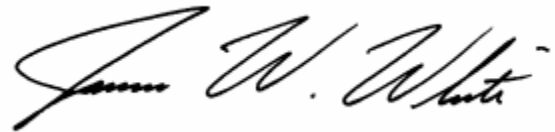
**Assumptions:**

- Davidson County hotel/motel tax collections are approximately \$20,000,000 annually.
- A 5% hotel/motel tax in Davidson County

- An increase in local government expenditures due to the administrative cost of implementing the provisions of the bill. Such increase is estimated to be not significant.
- No fiscal impact to the county for the authorizing actions required by the Metropolitan Council.
- At least 5,450,000 taxable room rentals annually in Davidson County.
- Taxable rentals of \$70,000,000 for passenger motor vehicles, trucks, or trailers. Davidson County would receive 1% or \$700,000 of this amount.
- At least 200,000 qualifying vehicles exit the metropolitan airport annually.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director